PROCUREMENT IN THE UNITED STATES COAST GUARD

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CHAPTER I

INTRODUCTION

The Federal Budget for the 1972 fiscal year proposed expenditures of $229 billion.[1] The goods, services, and facilities represented by this figure are obtained in a variety of ways but of all the techniques involved none is more significant than the procurement contract. Whether the procurement involves the development of new technology or requires production according to a known technology the stakes with regard to the amounts of money involved are enormous.[2] It is therefore imperative that the procurement function of the various governmental agencies be of high quality to produce results which are fair and reasonable. The results should be fair and reasonable to both the private supplier of the procured item and the Federal Government, which ultimately stands for the people.

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[1] Charles L. Schultze, _et al_., _Setting National Priorities: The 1972 Budget_ (Washington, D. C.: The Brookings Institution, 1971), p. 1.

[2] Leonard Merewitz and Stephen H. Sosnick, _The Budget's New Clothes_ (Chicago: Markham Publishing Company, 1971), p. 236.

The objective of effective procurement, while highly desirable, is not always obtained with the result that sometimes the supplier disproportionately benefits to the detriment of the government. Because of poor buying practices various phases of government procurement come under close scrutiny of both the public and the Congress. Small purchases is one area of concern, but much more significant are the vital areas of the large purchase and systems acquisition, much of which has historically been done by the Department of Defense and the National Aeronautics and Space Administration.

The significance of good procurement in the Federal Government, and the need for all agencies to carry out buying programs beneficial to the government was highlighted in November 1969, when Congress established a Commission on Government Procurement with the expressed intent "to promote economy, efficiency, and effectiveness in the procurement of goods, services and facilities by and for the executive branch of the Federal Government."[1] As an indication of the breadth of scope of the commission's charter, 14 groups were formed to investigate the following general study areas:

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[1] U.S., Congress, House, An Act to Establish a Commission on Government Procurement, Pub. L. 91-129, 91st Cong., 2nd sess., 1969, H.R. 474, p. 1.

1) Utilization of Resources
2) Controls over the Procurement Process
3) Regulations
4) Legal Remedies
5) Organization and Personnel
6) Pre-Contract Activities
7) Cost and Pricing Information
8) Negotiations and Subcontracting
9) Reports and Management Controls
10) Contract Audit and Administration
11) Research and Development
12) Major Systems Acquisition
13) Commercial Products, Architect and Engineering, and Construction
14) Statutes[1]

It is, therefore, evident that government procurement is an important and highly complex area which deserves the best efforts of those operating within its purview.

The Coast Guard, as a bureau within the Department of Transportation in the Executive Branch is no exception to the general guidelines described above. As a military agency within a predominantly civilian department, however, it occasionally faces some unique problems in procurement, but generally follows the form of all executive agencies.

Statement of the Research Question

The research question to be answered is:

Research Question. In relation to its assigned mission how effective is procurement in the U.S. Coast Guard?

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[1] *Ibid.*, p. i.

In order to arrive at conclusions, the following subsidiary questions are developed:

Subsidiary Questions. 1) What is the historical development and objective of Coast Guard procurement? 2) What measures of effectiveness and efficiency are applicable to Coast Guard procurement? 3) What external constraints on Coast Guard procurement affect its effectiveness and efficiency? 4) What case histories are illustrative of Coast Guard procurement effectiveness?

Scope of the Study

In seeking the answers to the above-posed questions this study will consider only those procurement processes which deal with procurements exceeding $2,500. That is, for which a contract file containing a comprehensive record of all pre-award and post-award actions and other data are required, by law, to be maintained.[1]

It shall be the purpose of this paper to examine procurement in the Coast Guard to ascertain both the nature of the procurement organization and its procedures and the

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[1] U.S., Department of Transportation, "Procurement Regulations", Federal Register, Vol. XXXVII, No. 44, (March 4, 1972), p. 4806.

effectiveness and efficiency of the Coast Guard procurement effort. Accomplishment of these objectives will present a broad, general assessment of the Coast Guard procurement function which has, heretofore, been somewhat neglected.

Research Methods Utilized and Method of Analysis

This project is an effort made on an individual basis encompassing the collection of data through library research, internal document research at the U.S. Coast Guard Headquarters, Washington, D. C., and through interviews with personnel from the Department of Transportation and U.S. Coast Guard Headquarters. Use has been made of the library facilities of the Library of Congress, Department of Transportation library and the library of The George Washington University. Data collection was accomplished by use of Xerox copying of library-type materials and electronic recording of personal interviews.

In the evaluation of effectiveness with the Coast Guard, methodology and standards initiated by the Department of Transportation Procurement Evaluation Team will be utilized. In analyzing efficiency use will be made of criteria selected by the author.

Organization of the Study

In order to fulfill the aforementioned purpose of this study, this report is organized according to the following plan.

Chapter II is designed to give the reader an understanding of what the Coast Guard is and what it does, and will provide the structural organization of the Coast Guard procurement effort. Chapter III describes what general measures of effectiveness and efficiency can be applied, generally, within the executive branch of the Federal Government. It then discusses the specific measures applicable within the Coast Guard. Chapter IV will describe what constraints exist for Coast Guard procurement, such as in statutory, budgetary and policy areas. It is noteworthy at this point that it is with a view toward the improvement of these areas that the Commission on Government Procurement, in great measure, owes its existence. Chapter V attempts to illustrate the procurement process and organizational action flow as it relates to effectiveness of the procurement function. The sixth and final chapter will be a summary of conclusions concerning the paper's primary and subsidiary questions.

CHAPTER II

HISTORY AND OBJECTIVES OF COAST GUARD PROCUREMENT

Before attempting to determine how effective is procurement in the Coast Guard relative to its assigned mission an exploration of what the Coast Guard is and what it does must first be made. The first part of this chapter will serve to acquaint the reader with the Coast Guard, past and present, its history, roles and missions.

The second part of the chapter will present the specific development of the procurement function and objectives within the Coast Guard. With this background it will then be possible to move toward identifying those specific measures of effectiveness and efficiency of Coast Guard procurement.

The Revenue-Marine Service

The United States Coast Guard, like many other governmental agencies, grew from a relatively simple organization into one of complex functions. Its beginnings date back to George Washington's first administration. The service resulted from Secretary of the Treasury Alexander Hamilton's economic plans to retire the debt resulting from the Revolution and to

provide funds for the day-to-day running of the government.

One of his efforts indirectly resulted, in 1789, in the establishment of the Lighthouse Service. This service incorporated those aids to navigation which previously had been established and maintained by the states to protect shipping, both foreign and domestic, from hazardous rocks and shoals.[1]

Hamilton also requested and obtained from Congress, in the Act of August 4, 1790, the authority to establish a seagoing military force. This force to be composed initially of ten cutters whose sole purpose was to enforce payment of customs and tonnage dues.[2] This service, receiving no statutory designation, was variously referred to as the "Revenue-Cutter Service", the "Revenue Service", the "Revenue Marine", the "Revenue-Marine Service", and "the system of cutters". The "Revenue-Cutter Service", as it was called primarily, became the nucleus of the United States Coast Guard.[3]

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[1] Stephen H. Evans, The United States Coast Guard, 1790-1915: A Definitive History (Annapolis, Maryland: The United States Naval Institute, 1949), p. 4.

[2] Darrell Hevenor Smith and Fred Wilbur Powell, The Coast Guard, Its History, Activities and Organization (Washington, D. C.: The Brookings Institution, 1929), p. 3.

[3] Evans, The United States Coast Guard, 1790-1915, p. 5.

The original ten cutters were built and manned by 1791 and commenced their anti-smuggling operations in that year. These cutters soon proved to be an effective arm of the Treasury in the enforcement of customs laws to the extent that within a decade approximately 92 per cent of the federal income was coming from the collectors of customs.[1]

In addition to their normal duties, the revenue cutters for several years constituted a major part of the United States naval combat force. Not until the organization of the Navy Department and construction of several frigates in 1798 did the small Revenue-Marine Service yield the tenuous position of being the country's first line of marine defense. The following year the pattern which governed relations between the two services was established. Congress stated the general rule that whenever the President directed, revenue cutters were to operate with the Navy under the direction of the Secretary of the Navy.[2] The first instance of such cooperation between service floating units occurred in 1799 during encounters with French privateers along the Atlantic coast. Another cooperative effort occurred

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[1] Howard V. L. Bloomfield, The Compact History of the United States Coast Guard (New York: Hawthorne Books, Inc., 1966), p. 11.

[2] Walter C. Capron, The U.S. Coast Guard (New York: Franklin Watts, Inc., 1965), p. 12.

during this period in which both Naval and Revenue-Marine forces performed convoy and dispatch details in the West Indies.

During the next decade the size of the Revenue-Marine fleet contracted and expanded as a drive for government economy was superceded by the exigencies of the war with Great Britain in 1812. By the war's end in 1815 ten cutters had been lost, both from military action and normal deterioration. Thus the Treasury Department planned for new vessel construction to strengthen the service.

Throughout the period constituting the Revenue-Marine Service's first half-century its cutters were charged with various duties in addition to the enforcement of customs laws. These included the enforcement of quarantine laws, suppression of the slave trade, enforcement of neutrality laws, suppression of piracy and the rendering of assistance to vessels in distress.[1]

The organization of the service throughout this period was greatly decentralized, with the Secretary of the Treasury exercising only nominal control of the cutters through collectors of customs. This orgnaizational approach changed, however, in

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[1] Smith and Powell, The Coast Guard, p. 6.

1843, as a result of a critical report to Congress by the Committee on Commerce. Thus, the Secretary established a Revenue-Marine Bureau within the Treasury Department and staffed it with one officer, Captain Alexander V. Fraser, who is considered to be the service's first commandant. During his five years in office some significant changes were made in the service. These changes included the issuance of a new set of effective regulations, introduction of the merit system of promotion for commissioned officers, and experimentation with steam propulsion and iron ships. But in 1849 the Revenue-Marine Bureau, administratively established, was unceremoniously dissolved and control of the cutters reverted back to the local customs collectors under the new statutory office of Commissioner of Customs. Thus, by 1854 decentralization was complete and the "Revenue-Marine was once more merely a 'system of cutters', essentially under sectional, rather than national, control."[1]

During the Civil War many of the revenue cutters were again ordered to duty with the Navy and performed various missions mostly connected with blockade duty. The remaining cutters continued to perform their regular duties, primary among

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[1] Evans, The United States Coast Guard, 1790-1915, p. 66.

which was the enforcement of revenue laws as import duties were raised.

Shortly after the end of the war the purchase of Alaska in 1867 served to broaden the scope of Revenue-Marine operations by utilizing cutters to transport the first United States officials there and by exploring and policing the Alaskan coastal areas. This, along with the expanding coastwise commerical maritime traffic, served to draw the attention of the Congress and Treasury Department to the Revenue-Marine and emphasized the need for its proper administration and reorganization.

The Revenue-Marine Bureau

Secretary of the Treasury George S. Boutwell established an interim bureau comprising the Revenue-Marine, Lifesaving Service, Steamboat Inspection Service, and Marine Hospital Service. In 1869 the bureau's head, a civilian Treasury offical, appointed two commissions, one to report on personnel matters and the other to report on administration and facilities of the service. Three significant proposals resulted from this effort. In 1871 the first was implemented when Secretary Boutwell reestablished the Revenue-Marine Bureau in his Department for the purpose of providing a strong centralized

administration. The second proposal broached the difficult problem of eliminating potential influences from personnel, in addition to returning to the merit system for the appointment and promotion of officers. And the third recommended that floating equipment be designed to meet the specific requirements of the Revenue-Marine.[1]

Four years later the idea of a centralized plan of organization was given a permanence heretofore not achieved when Congress passed the Act of March 3, 1875 establishing a Revenue-Marine Division within the Treasury Department. The union of agencies lasted until the Lighthouse Service was made a separate bureau in 1878. The name of the headquarters organization was changed in 1894 to the Division of Revenue-Cutter Service and a military officer, Captain Leonard G. Shepard, was assigned to be its head.

In 1911, President Taft established a commission to study governmental agencies with the goal of eliminating unneeded and overlapping functions and agencies. One of its recommendations suggested the breaking up of the Revenue-Cutter Service and assigning its duties and cutters to the Navy and

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[1] Bloomfield, _Compact History_, p. 65.

other maritime agencies. Another recommended the amalgamation of the Lighthouse Service and Lifesaving Service under the Department of Commerce. As expected, when threatened with the loss of two of his agencies, Treasury Secretary Franklin MacVeagh, in a letter to President Taft, questioned the validity of the commission's recommendations and proposed an alternative plan which he considered to be more logical. His counter-plan called for the consolidation of the Lifesaving Service as a part of the Revenue-Cutter Service. He believed that this was " . . . in the line of progress . . . of development."[1] To help insure his plan would be implemented he directed the Commandant of the Revenue-Cutter Service and the Superintendent of the Lifesaving Service to draft a bill for the proposed merger for Treasury sponsorship.

The United States Coast Guard

With bi-partisan support the merger bill proposed by Secretary MacVeagh was passed and, on January 28, 1915, President Woodrow Wilson signed into law the Act to Create The Coast Guard. As a result of this change in composition of the

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[1] Evans, The United States Coast Guard, 1790-1915, p. 213.

service two new administrative divisions were provided for at headquarters.

By the time of this consolidation the activities of the Coast Guard had, of course, expanded. They included such diverse duties as an ice patrol in North Atlantic transoceanic sea lanes (a consequence of the S. S. Titanic disaster), a larger program of assistance to distressed vessels, removal of derelict vessels, aid to fisheries and enforcement of international fishing agreements, enforcement of customs and navigation laws, life-saving on coastal and inland waters, and operation as part of the Navy in time of war. This last provision was once again invoked in 1917 when the Coast Guard became part of the naval organization for the duration of World War I, performing convoy escort, submarine hunting, and life-saving duties. Aviation also became a Coast Guard function when in 1919 several planes were transferred from the Navy for observation work along the coasts.[1]

The National Prohibition Act of 1920, the Eighteenth Amendment, had a significant effect on the Coast Guard, as the

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[1] Evor Samuel Kerr, Jr., The United States Coast Guard: Its Ships, Duties, Stations (New York: Robert W. Kelly Publishing Corporation, 1935), p. 19.

service was charged with the at-sea enforcement of the Act. At the time of this enactment there was an insufficient number of personnel and cutters available to perform effective enforcement duties. This problem was alleviated when Congressional attention and support provided the requisite resources, both in the form of cutters and aircraft. Thus, the Eighteenth Amendment played a significant role in the building of an enlarged Coast Guard.

Another piece of legislation which helped expand the Coast Guard's activities was the Act of June 22, 1936. This Act gave the service extensive authority over maritime activities by designating the Coast Guard as the federal arm for the enforcement of United States laws on the high seas and the navigable waters of the United States.

Another dimension was added to the service in 1939 when President Franklin Roosevelt, through his Reorganization Order Number 11, transferred the Lighthouse Service from the Department of Commerce to the Department of the Treasury, to be consolidated and administered as part of the Coast Guard. At the same time the Coast Guard also became responsible for lighthouses, lightships, buoys and various other floating and shore structures used as navigational aids. The next year the

service was assigned the responsibility for the supervision and regulation of motorboats and other small craft by the Motorboat Act of 1940.

During World War II the military significance of the Coast Guard's duties of maritime law enforcement and promotion of safety at sea became distinctly clear for the first time. Once again, as part of the Navy, the Coast Guard provided trained forces in all theaters of war for combat operations; while, at the same time, it assumed more extensive and intensified normal peacetime operations such as aids to navigation, search and rescue, beach patrol, port security, and enforcement of maritime safety laws and regulations. Because of the importance of the latter function, in 1942 President Roosevelt temporarily consolidated the Bureau of Marine Inspection and Navigation with the Coast Guard. This arrangement, made permanent in 1946, brought with it the additional responsibility of inspecting merchant vessels to insure regulatory compliance of safety standards, approving plans prior to vessel construction and inspection during construction and the licensing and certifying of merchant mariners.

Other new functions were gained in 1946 when the Coast Guard was designated as the " . . . federal coordinating

agency with the primary responsibility for furnishing search and rescue facilities and services to meet the United States obligations to the International Civil Aviation Organization (ICAO) for the protection of international civil avaition over water areas."[1] Included in this obligation were the maintenance of cutters on designated ocean stations located along transoceanic air routes, in the Atlantic and Pacific, with these vessels serving, 1) as weather observing and reporting agents, 2) as part of a search and rescue organization, 3) floating radio beacons, and 4) radio relay stations.

In 1949 Congress passed Public Law Number 786 which extended the scope of the Coast Guard's disaster-prevention function by authorizing the service to continue the war-initiated work of providing aids to navigation for military and naval bases beyond the continental U.S. and of operating the Long-Range-Navigation (LORAN) system of electronic aids to navigation. By the end of the second World War there were 75 standard Loran Stations in operation serving the needs of aircraft and vessels. Today both military and civilian aircraft and ships depend on this aid for accurate navigational information.

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[1] Evans, The United States Coast Guard, 1790-1915, p. 219.

During the Korean conflict the Coast Guard was granted broad powers, extending its former authority for safeguarding ports, vessels, harbors and waterfront facilities of the coastal and inland waters of the United States. Moreover, the service provided support to U.S. forces in Korea by manning rescue facilities for downed aircraft at sea and establishing new Loran chains.

In 1867 the Revenue-Marine first began ice-breaking missions in Alaskan waters in connection with relief assistance to vessels and coastal outposts. Special vessels were constructed for ice-breaking duties in the polar regions prior to World War II with both the Navy and Coast Guard operating them. In the 1950's Coast Guard and Navy icebreakers were instrumental in keeping Navy polar expeditions and Air Force Distant Early Warning (DEW) stations supplied. In 1965 the Coast Guard began receiving Navy icebreaking equipment and assumed responsibility for all United States icebreaking.

Two other significant missions of the present-day Coast Guard are oceanography and reserve training. The oceanographic program is currently being conducted by cutters on ocean stations which are equipped with a small laboratory, icebreakers, lightships and vessels which have been converted wholly for this

scientific work. With the recent increased interest in the oceans as sources for food, minerals and exploration, the service's oceanographic efforts will undoubtedly grow.

As described previously, the Coast Guard has stood ready as a military force to answer the nation's call in times of conflict. In order to meet these emergency requirements, the Coast Guard has a reserve program which trains ready reservists to take their place, if need be, in port security programs and augmentation of vessel crews.

On April 1, 1967, the Coast Guard was one of five agencies joined together to form the new Department of Transportation, thus ending 173 years of association with the Treasury Department. Today the Coast Guard has approximately 38,000 officers and enlisted men carrying out its diverse activities throughout the world.

Within the Coast Guard organization structure there is a clearly defined line of military command, operational authority, and administrative responsibility assigned to each component of Coast Guard organization; the Coast Guard Headquarters at the top, to the District offices, to the field units at the bottom. The Commandant and his staff plan, supervise, and coordinate Coast Guard activities among the

districts. District Commanders, assisted by their staffs, direct and coordinate activities of Coast Guard field units located within the geographical boundaries of their districts; the chain of military, operational, and administrative command runs from the Commandant of the Coast Guard to the Commanding Officers of the individual field units. Figure 1 shows the overall organization structure and chain of command of the Coast Guard.

To achieve consistent and uniform administration throughout the Coast Guard without hindering the independent action of District Commanders, the Commandant prescribes policies in the form of uniform regulations, rules and instructions for all District Commanders.[1] The safe, efficient and economical performance of Coast Guard duties within each respective district is the responsibility of the District Commander. The geographical boundaries of these twelve Coast Guard Districts is shown in Figure 2.

The Chief of Staff and his subordinates on the District Office staff assist the District Commander in the administration of his district. The staff includes administrative and technical assistants who advise the District Commander in their

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[1] U.S., Coast Guard, Organization Manual, (CG-229), p. 4-7.

specialty area. The District Office staff structure is illustrated in Figure 3.

The senior Coast Guard officer, the Commandant, directs the policy, legislation and administration of the service and is responsible to the Secretary of Transportation.[1] In time of war, or when the President directs, the Coast Guard operates under the Navy and the Commandant is then responsible to the Secretary of the Navy. Figure 4 shows the organization of Coast Guard Headquarters.

Background History of Procurement

When the Coast Guard came into being in 1915 it was a service which was multifunctional almost to an extreme. Its diverse responsibilities were carried out by forces requiring coordination and support. Thus, by this time, military staff principles and procedures had gained full acceptance and were reflected in the Headquarters organization which was divided functionally into Operations, Personnel, Engineering, Construction, Ordnance, Supply, and Law, and included officers to advise and assist the Commandant in those specialties. The field commanders subordinate to the Commandant; district

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[1] *Ibid.*, p. 2-2.

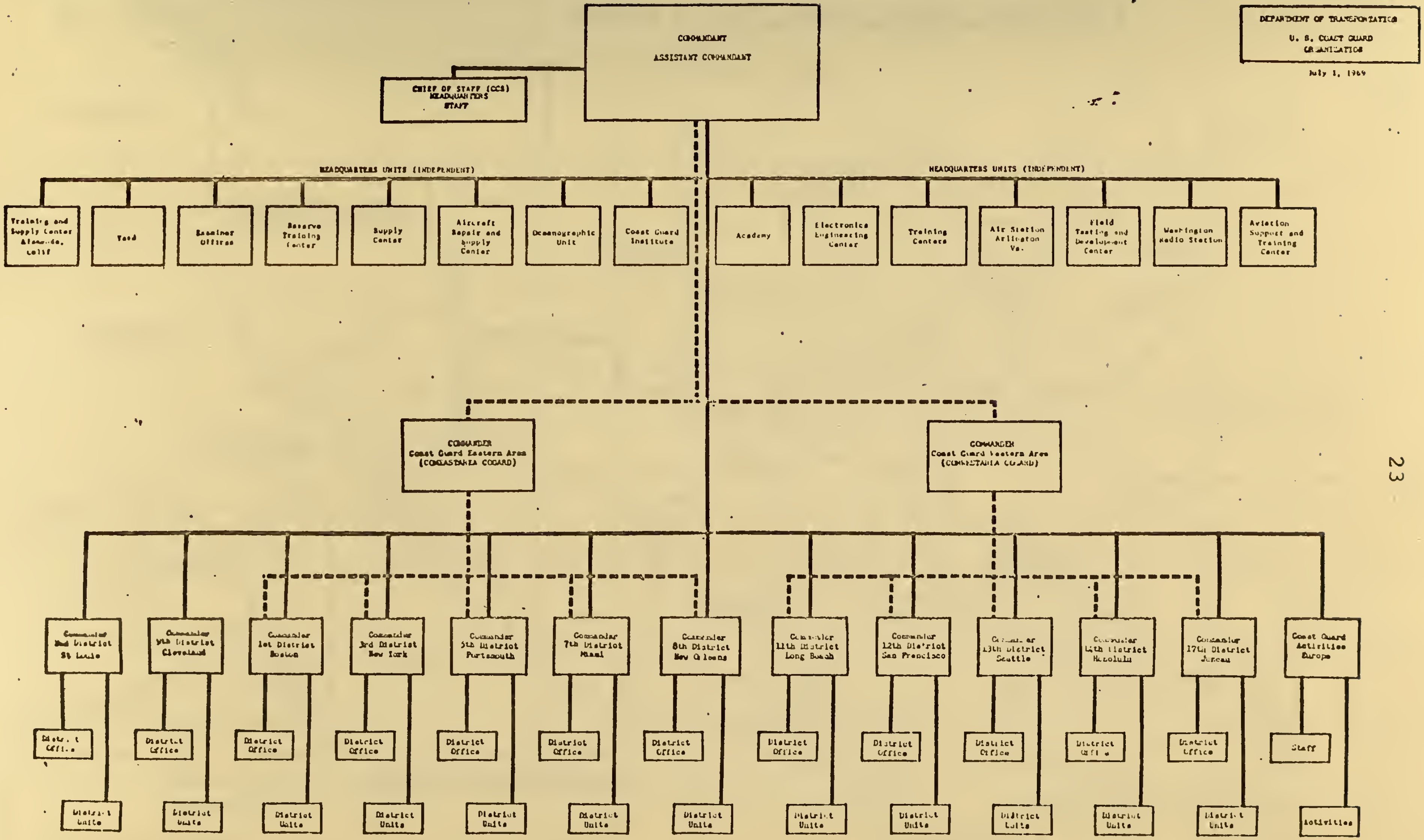
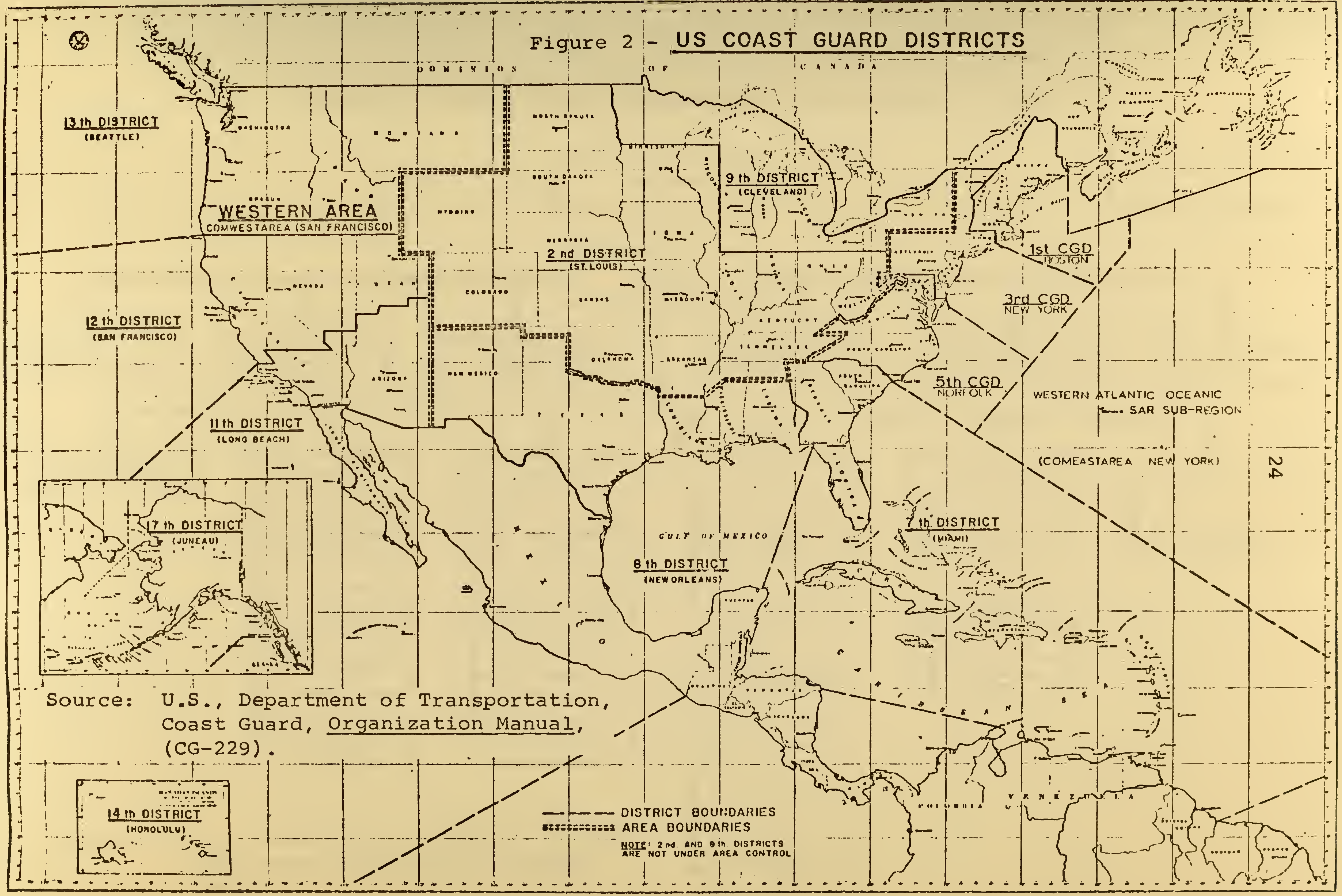


Figure 1 - Organization Chart

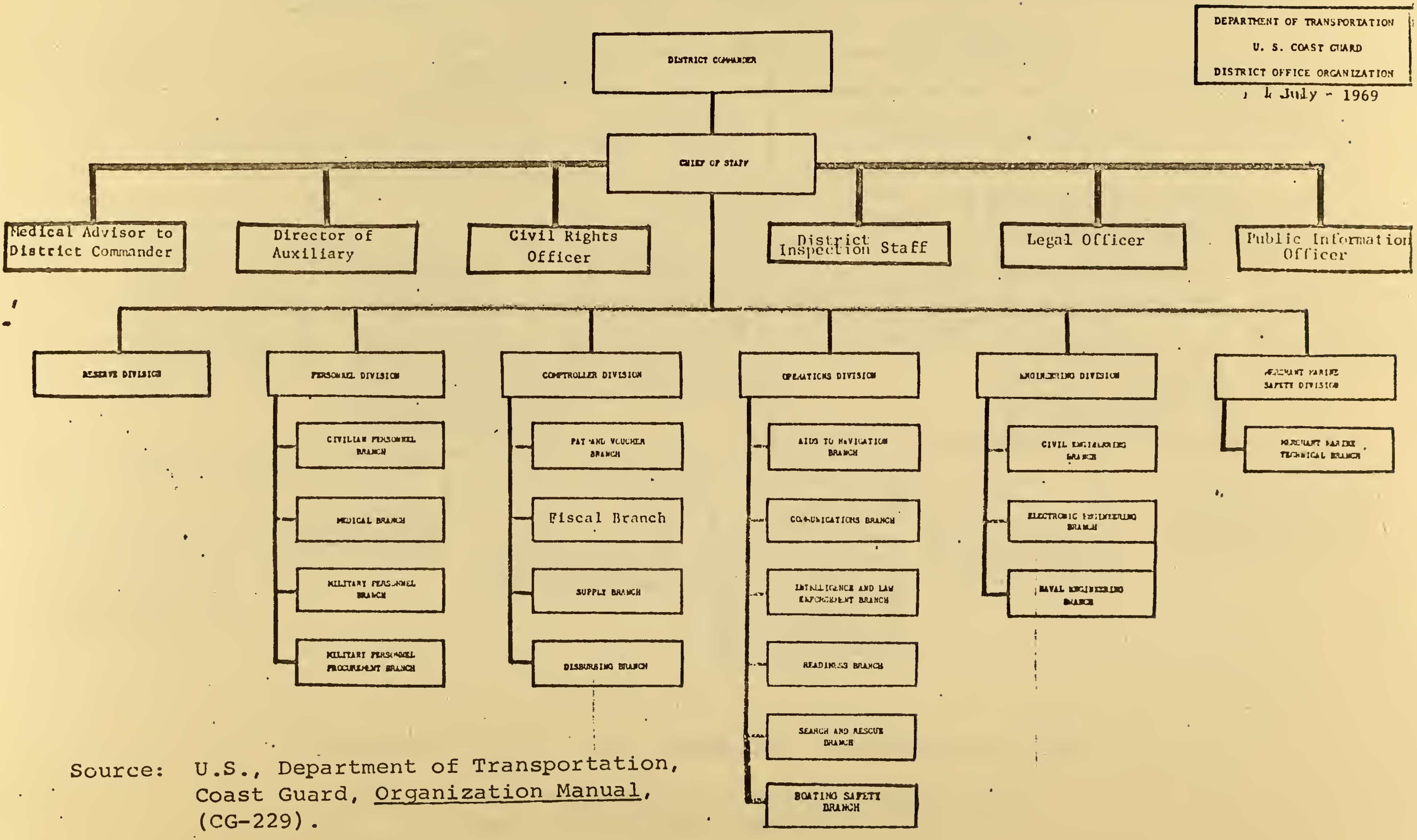
Source: U.S., Department of Transportation, Coast Guard, Organization Manual, (CG-229).

Figure 2 - US COAST GUARD DISTRICTS



Source: U.S., Department of Transportation, Coast Guard, Organization Manual, (CG-229).

Figure 3 - Coast Guard District Office Organization Chart



Source: U.S., Department of Transportation, Coast Guard, <u>Organization Manual</u>, (CG-229).

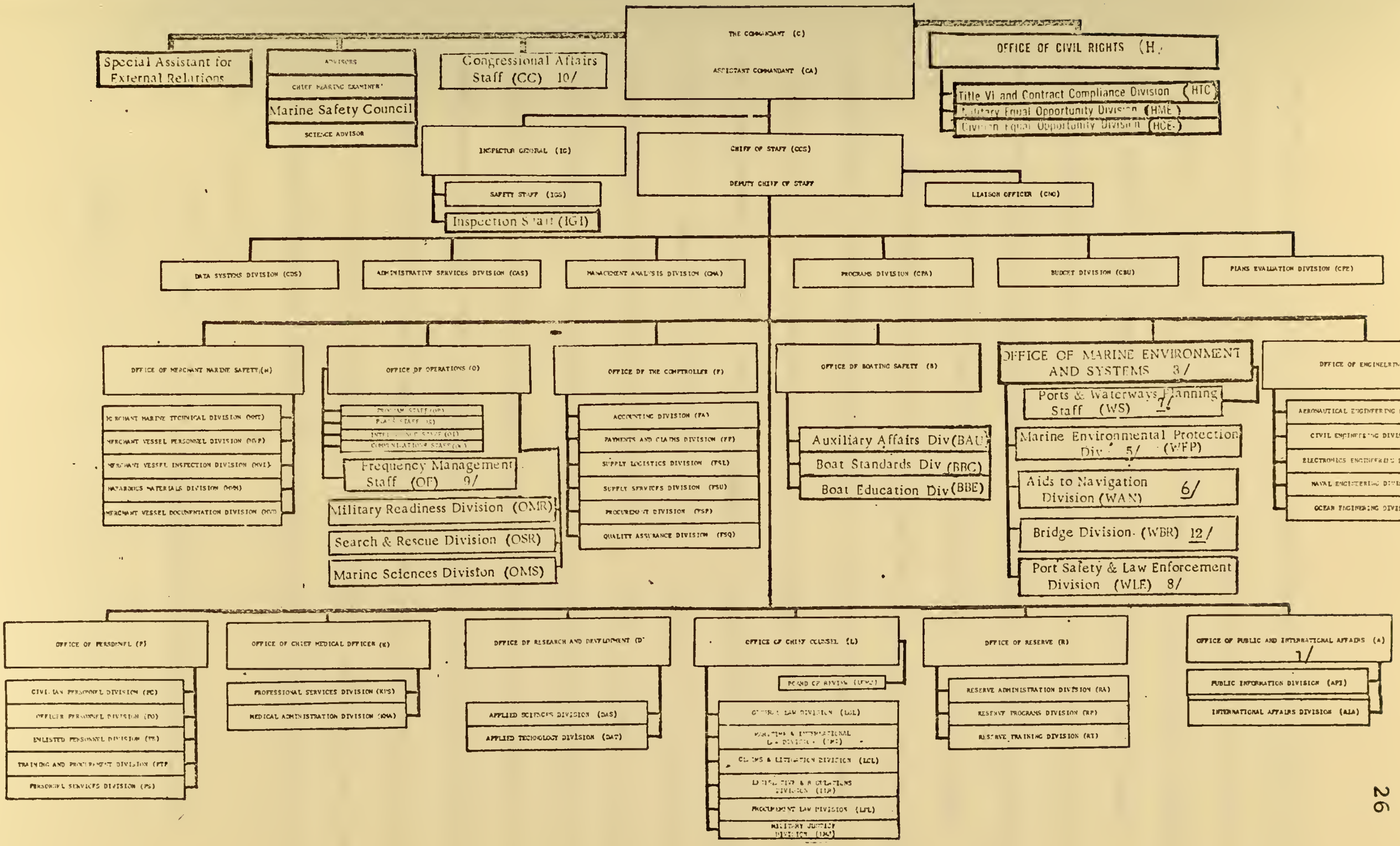


Figure 4 - Coast Guard Headquarters Organization Chart

Source: U.S., Department of Transportation, Coast Guard, *Organization Manual*, (CG-229).

commanders were given general operational and administrative authority within their districts and were charged with certain phases of logistic support for units under their command. Shore depots for logistic support of cutters had been established in the form of supply facilities at Arundel Cove, Maryland, for the East coast. A similar unit was located in San Francisco, California, to supply West coast ships.

Procurement authority rested primarily with the Commandant, who was authorized to bind the government, in the discharge of his duties as the chief administrative officer of the Coast Guard. This authority included all procurement except for the construction of new cutters.[1] New cutter procurement was in the Secretary of the Treasury's office. Additionally, if a specialty item, not off the shelf, was desired by the Coast Guard, the administrative function was completed within the Commandant's office and was then executed by the Assistant Secretary, by direction of the Secretary.[2]

In 1921 the Bureau of the Budget established the Inter-departmental Board of Contract and Adjustments which was

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[1] U.S., Coast Guard, Commandant Memorandum 0033, (1915), p. 1.

[2] Ibid.

composed of the chairmen of each executive departments' board. Each department board was composed of one representative of each bureau within the department having the authority to enter into contracts on behalf of the United States. The Coast Guard representative was their Law and Contract Clerk.

The department boards recommended policies to control the standardization of contracts within their respective department. The functions of the Interdepartmental Board were to standardize and provide for a uniform policy of government contracts and to encourage the contractor to economize and deliver the desired product on time, a goal which continues to be sought today.

Additionally, the Board acted in an advisory capacity in reviewing more important contracts, in advising department contracting officers in interpretation of contracts, as well as assisting in the negotiation of important contracts and agreements relating to personal services, supplies, or construction work.[1]

The following year a Bureau of Supply was established in the Treasury Department with a Director of Supply at its head. This Bureau took from all bureaus comprising the Treasury

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[1] U.S., Treasury Department, Order Establishing Interdepartmental Board of Contract and Adjustments, Department Circular 124, (1921), pp. 1-3.

Department the responsibility for all functions relating to the actual purchase of material and supplies in Washington, and in the field. Thus, requisitions for material and supplies for the Coast Guard were prepared and forwarded to the Bureau of Supply. These requisitions indicated the appropriation from which the purchase was to be made, the necessity of the purchase, and, if required, material specifications. Upon delivery the Coast Guard was responsible for inspection of the particular items.[1]

All orders or contracts for supplies which involved an expenditure of one hundred dollars or more were approved by the Assistant Secretary for Coast Guard. If the expenditure was for less than that amount the Director of Supply approved the order or contract. The effect of this change was to give to the Director of Supply, rather than the individual agencies, the responsibility "for the prompt, efficient, economical and legal manner of procurement."[2]

By 1933 an Office of Supplies and Accounts, which reported to the Commandant, had been set up at Coast Guard

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[1] *Ibid.*, p. 2.

[2] U.S., Treasury Department, *Order Establishing Centralized Purchasing for the Treasury Department*, Department Circular 283, (1922), pp. 1-2.

Headquarters. This office was authorized to purchase supplies, with some exceptions, and to place purchase orders for items of equipment under the General Schedule of Supplies and other government contracts. The excepted items were communication, medical, ordnance and construction materials. These were obtained through the Assistant Commandant's general supervision of the divisions of communications, personnel, materiel and ordnance.[1]

In the same year the Procurement Division replaced the Bureau of Supply in the Treasury Department. This was accomplished under the authority of Executive Order Number 6166, of June 10, 1933, and Order of the Secretary of the Treasury of October 9, 1933.

Following suit, the Coast Guard in 1936 renamed its primary procuring division the Procurement and Supplies Division. It conducted all of the purchasing activities of the Coast Guard except the preparation of technical specifications which were prepared by the responsible division. This approach was particularly applicable in the case of the Aviation Division. Here procurement encompassed aircraft, aircraft equipment,

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[1] U.S., Coast Guard, Commandant Memorandum 020, (1933), p. 1.

engines, instruments and spare parts, as well as repair and overhaul of air station equipment. But for the most part the effective accomplishment of the procurement function of the Coast Guard weighed heavily on the staff of fifteen officers, enlisted men and civilian employees of the Procurement and Supplies Division.

Three years later the first major step in the decentralization of contract procurements was made. The following offices were authorized to make term contracts for units within their commands: the commanders of the fifteen field districts; the Commandant of the Coast Guard Yard, Curtis Bay, Maryland; the Superintendent of the Coast Guard Academy, New London, Connecticut; the commander of the Fort Trumbull Training Center, Groton, Connecticut; and purchasing officers of the Coast Guard Stores in Brooklyn, New York and Alameda, California. The guidance for the contractual procedures were contained in an in-service publication, U.S. Coast Guard Pay and Supply Instructions.[1]

Changes brought about by the expansion of Coast Guard functions both in peace and time of war were evidenced in 1943

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[1] U.S., Treasury Department, Coast Guard, Pay and Supply Instructions: United States Coast Guard (Washington, D. C.: Government Printing Office, 1939), pp. 501-612.

when Headquarters procurement of all material and services, other than non-standard engineering items which required technical engineering knowledge, was made a responsibility of the Supply Division in the Office of Finance and Supply. The Office of Engineering made procurements of the non-standard engineering items assisted by a Contract Services Division established within the Engineering Office. The assistance provided dealt with negotiation, execution and follow-through on engineering contracts.[1]

This dichotomy of procurement functions was removed two years later when the Contract Services Division was moved to the Supply Division which then had complete responsibility for material and services procurement. More importantly, this division was to specifically direct an integrated program for the supply of all items of material, equipment and services, clothing and commissary stores, at Headquarters and in the field, including the supervision of Coast Guard Supply Depots.[2]

Shortly after the Coast Guard resumed its peacetime role in the Treasury Department the organization of the major

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[1] U.S., Coast Guard, Installation of Headquarters Organization Plan, Commandant Letter CG-00-020, (1943), pp. 2-3.

[2] U.S., Coast Guard, Supply Program: Reorganization of Headquarters' Activities Concerning, Commandant Circular 3-45, (1945), pp. 1-3.

field commands, the district offices, was closely patterned after the Headquarters organization, which heretofore had not been true. Thus the Finance and Supply Division, containing a Supply Section, procured supplies, equipment and services, prepared purchase orders, contracts and commercial vouchers and executed all contracts not executed personally by the District Commander.

Another factor which impacted the Coast Guard returning to peacetime activities was the Armed Services Procurement Act of 1947. The Act applied to the Coast Guard as well as the Departments of Army, Navy, Air Force and the National Advisory Committee for Aeronautics. It became statutory authority "applicable to all purchases and contracts for supplies or services made by . . . the United States Coast Guard . . ."[1] The Act supplanted the service's previous authority for procurement, Revised Statutes, section 3709, as amended (U.S.C., title 41, sec. 5).

One of its basic principles was that government procurement during peacetime should result from competitive bidding rather than from negotiation. However, it also provided

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[1] Armed Services Procurement Act, 62 Stat. 21, (1947).

for negotiated contracts in special circumstances and further provided for the suspension of the ordinary peacetime competitive bid method when war or emergency arose. The implementing instructions for the act were subsequently contained in the Armed Services Procurement Regulations (ASPR) to which the Coast Guard solely adhered until the early 1960's.

In 1952 an effort to develop a uniform approach to procurement within the district offices was made when a survey group composed of members of the Headquarters staff conducted a survey of district Finance and Supply staffs and programs. The results of the survey showed that although district Finance and Supply Divisions were organized similarly, the responsibility assignments for the carrying out of functions by sections and subsections was not uniform. There also was no clear-cut division of procurement responsibilities between district office procurement sections and Supply Depot or Supply Center units within the same district.

Recommendations were made to the specific districts which had organizational disparities with the result that assurances were received that corrective changes would be made. Service-wide recommendations were made for districts to make a current, integrated set of supply guidelines for improved

coordination and understanding between district staff and Supply Depot or Center personnel. Additionally, the name of the Finance and Supply Division was changed to Comptroller Division to reflect more accurately the duties and responsibilities of the division.[1]

The question of the Coast Guard's use of the Armed Services Procurement Regulations was raised in 1959 by procurement officials of the Treasury Department. The question specifically asked was whether the Coast Guard should operate under the provisions of the Federal Procurement Regulations (FPR) promulgated by the General Services Administration, rather than ASPR. As the question could not be resolved within the Department due to Treasury's unfamiliarity with ASPR, it was referred to the Administrator of the General Services Administration for his interpretation of the situation and a decision as to which authority prevailed. Almost four years later, in January 1963, a decision was made by the Administrator who said, in part:

> We are fully appreciative of the special military-type procurement responsibility of the Coast Guard and of the fact that the agency derives its basic

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[1] U.S., Coast Guard, Report of Survey of Finance and Supply Staffs and Programs, General Administration Memorandum No. 35-52, (1952), pp. 1-4.

> procurement authority from the provisions of Chapter 137 of Title 10, United States Code. For these reasons, it is understood and agreed that the Coast Guard may follow the appropriate provisions of the Armed Services Procurement Regulation with respect to the purchase of special military-type equipment whenever the procurement situation is outside the scope of or not otherwise covered by the FPR. In such cases, deviation from the Federal Procurement Regulations may be effected without the need for further authorization from this agency.[1]

Additionally, the Coast Guard was assigned a chapter of Title 41 of the Code of Federal Regulations for use in supplementing the FPR under the Federal Procurement Regulations System. The Coast Guard Procurement Regulations, as the chapter is called, contains references to the ASPR for purposes of guidance or incorporates, by reference, material in the ASPR into the CGPR.

Thus the Coast Guard was to use the FPR as its basic procurement procedures, notwithstanding its military-type organization and responsibilities, but could also use ASPR in certain circumstances. This policy was followed for the balance of the Treasury-Coast Guard association, was adopted by the Department of Transportation upon the Coast Guard's transferral thereto, and remains in effect to the present.

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[1] U.S., General Services Administration, Administrator Memorandum to Administrative Assistant Secretary of the Treasury, (1963).

Over time the basic objectives of Coast Guard procurement have remained essentially the same, that is, "to procure that which is required by the operating and administrative units, in a timely fashion, at the best possible price, on fair and reasonable terms for both the Coast Guard and contractor and in compliance with all the rules and regulations set forth for contracting."[1] However, the complexion of contracting has changed over time. The volume of contracts has expanded greatly but the most significant factor has been the increased complexity of contracting due to the emergence of research and development (R and D) type of procurements. Recognition of this trend was made within the Headquarters organization in 1968 with the establishment of the Office of Research and Development. Contract management for R and D items was subsequently facilitated within the Procurement Division with the setting up of a R and D contracts subsection. Within this organizational framework all Coast Guard R and D procurements are made.

Today the primary responsibility for planning and administering the Coast Guard procurement program rests with the

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[1] Lieutenant Commander Lawrence Graham, USCG, Chief, Contracts Management Branch, Procurement Division, private interview held at U.S. Coast Guard Headquarters, Washington, D. C., February 1972.

Chief of Headquarter's Procurement Division who reports directly to the Coast Guard Comptroller. The Procurement Division organization chart is shown in Figure 5.

Reporting to the Chief, Procurement Division, are two branch chiefs and the personnel on his own staff. The general responsibilities of the division, staff and branches are as follows:

> The Procurement Division has the responsibility for planning and administering the Coast Guard procurement program in conformity with the FPR, ASPR, DOTPR, and other regulations as applicable.
>
> The Policy and Procedures Staff has staff responsibility for publishing and maintaining necessary Coast Guard Procurement Regulations and those portions of the Comptroller Manual covering procurement and purchasing.
>
> The Administrative and Review Branch has responsibility for reviewing and analyzing the performance of Coast Guard procurement activities to assure efficiency and compliance with regulations and directives.
>
> The Contract Management Branch has responsibility for establishing internal policy and procedures to insure that all procurements are in strict accord with existing statutes and regulations.[1]

The above outlined responsibilities of the division and

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[1] U.S., Coast Guard, Procurement Division Organization Functional Statements, Procurement Division Order No. 5-71, (1971), pp. 1-9.

branches are similar to their respective branch and sections in the district offices but without the degree of specialization achieved at Headquarters.

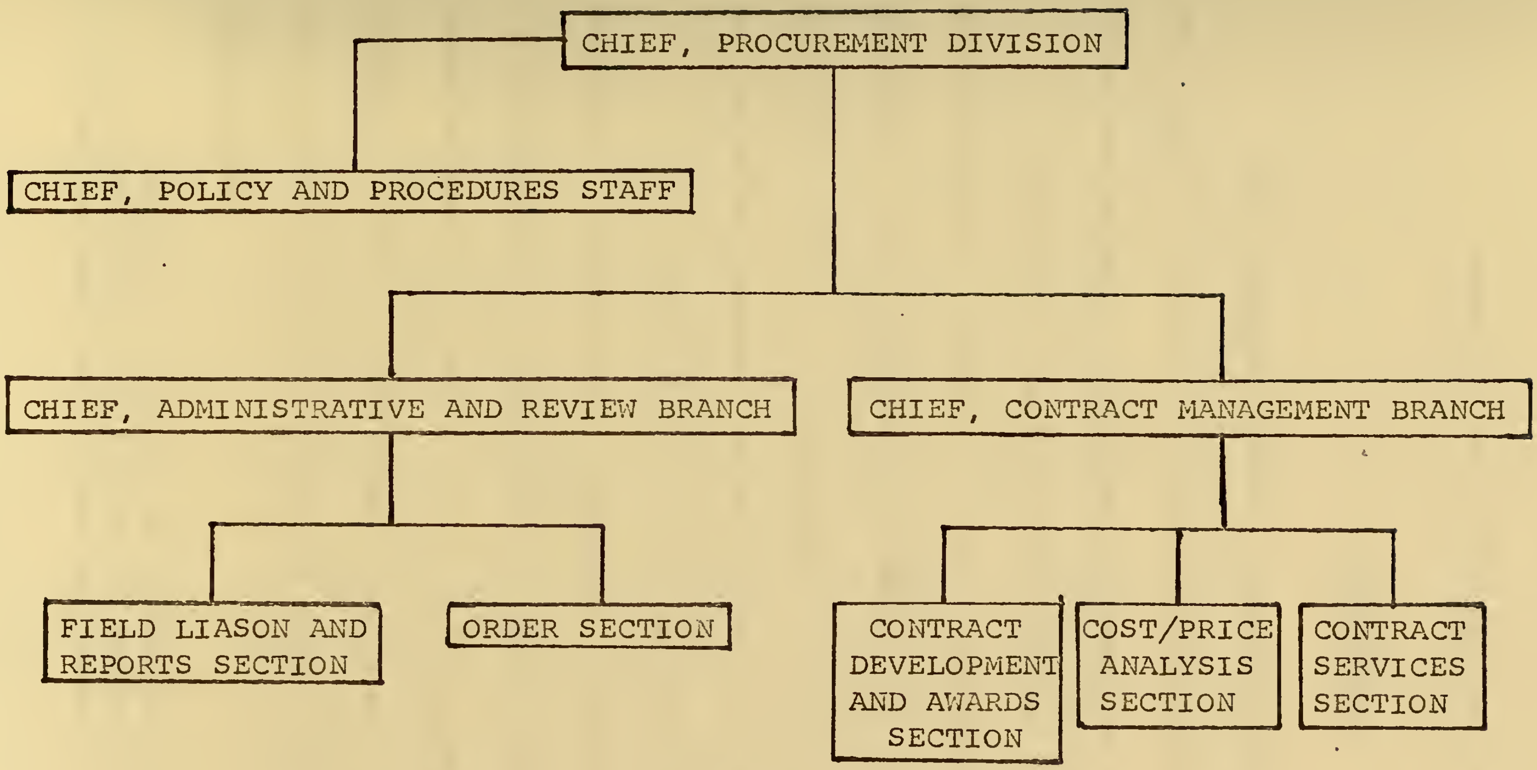

FIGURE 5 - PROCUREMENT DIVISION ORGANIZATION

CHAPTER III

MEASURES OF EFFECTIVENESS AND EFFICIENCY

Overview

This chapter looks at approaches to the appraisal of two important aspects of procurement management and performance. These two aspects are effectiveness and efficiency.

First will be an investigation of those measures which can be applied, generally, in a contract procurement-type operation, with emphasis placed on the federal government. Following will be a development of those measures which relate to the effectiveness and efficiency of Coast Guard procurement.

As a first step in the appraisal process an effort must be made to define what needs to be measured. Looking first at efficiency, an evaluation of both individual performance and group effort is crucial to an understanding of the overall product. Jack L. Mendelson of Arizona State University cites the following major categories which apply to procurement operations:

> Quality - rejects of shipments received.
> Quantity - sufficient material on hand, number of emerging and rush orders processed.

> _Time_ - delivery dates promised compared with actual, requisitions received compared with requisitions placed, amounts of follow-up required.
>
> _Price_ - prices paid compared with market indexes for the period.
>
> _Costs_ - processing cost per purchase order, number of purchase orders issued, number of purchase orders of less than a given dollar amount.
>
> _Inventory_ - variations, turnover, duplication, obsolescence.
>
> _Speculation_ - price trends of items stockpiled.
>
> _Negotiating and Vendor Relations_ - number of vendor changes, number of price decreases from suppliers.
>
> _Individual Evaluation of Buyers_ - time taken to find supplier for new material, number of purchases made, number of salesmen seen, number of complaints from other departments.[1]

Other authorities in the field of procurement generally agree with this listing and breakdown of the function by group and individual. Lamar Lee and Donald Dobler in their text _Purchasing and Materials Management_, refer to these two categories of evaluation as "buying efficiency" and "efficiency of personnel" and describe several measures, similar to Mendleson's, for each.[2]

Effectiveness, on the other hand, has not been as completely or adequately defined. Another authority, Wilbur B. England, suggests that an efficient procurement performance

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[1] Jack L. Mendleson, "Evaluating Purchasing Performance", _Journal of Purchasing_, V, August 1969, pp. 61-62.

[2] Lamar Lee, Jr. and Donald W. Dobler, _Purchasing and Materials Management_ (New York: McGraw-Hill Book Company, 1971), pp. 578-580.

leads to an effective organization, in a hierarchical sense, but he makes no attempt to describe effective procurement per se.[1]

While these approaches have been formulated basically with private enterprise activities in mind, some of the measures, with some modification, can be utilized by governmental purchasers. The difference between governmental and private buyers is best reflected in their manner of purchasing which is based on factors of motivation. Murray L. Weidenbaum, a former Assistant Secretary of the Treasury, describes these factors as follows:

> The Federal Government primarily buys for use and not for resale. It is not motivated by profit and is subject to legal and budgetary restrictions designed to safeguard the expenditure of public funds. All known responsible firms usually are given an opportunity to compete. These characteristics pertain to military procurement as well as to civilian government purchasing and, hence, continue to differentiate the government buyer from his private counterparts.[2]

To summarize then, in private enterprise purchasing organization is effective to the extent that it contributes to the most obvious and quantifiable goal of the firm, that is,

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[1] Wilbur B. England, Modern Purchasing Management Principles and Cases (Homewood, Illinois: Richard D. Irwin, Inc., 1970), pp. 852-853.

[2] Murray L. Weidenbaum, "The Federal Government As A Buyer", Journal of Purchasing, I, November 1965, p. 23.

profitability. By comparison the procurement function in the federal government is effective to the extent that it contributes to the goals of the organization within the applicable guidelines or constraints.

The evaluation of efficiency in both government and private enterprise can be accomplished by applying similar measures, as described previously, tailored to fit the organization's procurement functions.

General Measures Applied to Federal Procurement

Within the Department of Defense (DOD) the need for performance evaluation of procurement has long been recognized. In part this need has been fostered by the public exposure of major military systems procurements. But regardless of the source of interest, DOD has established a program of procurement management reviews which help insure that published policies and procedures are carried out.[1]

To this end, teams make complete reviews of major procurement organizations in the services to test compliance with policies and procedures. During the period from 1964

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[1] U.S., Congress, House, Committee on Governement Operations, Government Procurement and Contracting Hearings, before a subcommittee of the Committee on Government Operations, House of Representatives, on H.R. 474, 91st Cong., 1st sess., 1969, p. 295.

to 1969, "111 Procurement Management Reviews and 30 Contract Management Reviews have been made of 71 procuring organizations and 30 contract administration activities."[1] During that period procurement organizations handling almost 80 per cent of DOD procurement were covered. The program was described as being effective in providing DOD with "an indication of the efficiency of procurement operations and in determining the need for new or revised procurement policies."[2]

A more specific application of efficiency measures within DOD is seen in the Defense Supply Agency.[3] The DSA program is called Defense Integrated Management Engineering System (DIMES) and is synonymous, within DSA, with performance standards. The performance standards for specific operations are determined utilizing engineered standards techniques, and these standards are then compared with actual performance on a weekly, monthly and quarterly basis. This information is then utilized by managers to ascertain the reasons for high or low performance rates. Possible reasons for variance could be environment, personnel, management, workload, staffing level

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[1] Ibid.

[2] Ibid.

[3] Albert A. Tisone, "Measuring Purchasing Performance in the Defense Supply Agency", Journal of Purchasing, V, November, 1969, pp. 53-76.

and so forth.[1] Depending upon whether the variance is temporary or permanent, correctable or non-correctable, the manager makes a decision to correct the reason for the variance, live with the reason, or correct the standard.

Other executive agencies have procurement evaluation programs, although in most cases they are not as sophisticated as DOD's. In 1969 the Department of Transportation (DOT) began making "evaluation" visits to operating procurement offices within the Department.[2] The operating agencies of the Department included the U.S. Coast Guard, Federal Aviation Administration, Federal Highway Administration, Federal Railroad Administration, National Highway Traffic Safety Administration, Urban Mass Transportation Administration, Saint Lawrence Seaway Development Corporation, and the National Transportation Safety Board.

The DOT Procurement Evaluation Team's purpose is "to identify the strengths, weaknesses and specific deficiencies noted in the procurement offices, and to make recommendations

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[1] _Ibid._, p. 75.

[2] U.S., Congress, House, Committee on Government Operations, _Government Procurement and Contracting Hearings_, p. 1640.

to the Secretary of Transportation with regard to these areas."[1]

The evaluation takes the form of an investigation of contract files for advertised and negotiated awards, as well as the administration of both types of contracts. Copies of the worksheets used in this process are contained in Appendix I.

The evaluation is essentially subjective:

> . We try to determine whether the buys are good buys, from a dollars and cents point of view. Whether the contracts being awarded make good sense. Are they getting competition when they can, if not, are people looking at the price, negotiating price. Do the contract documents make sense, are appropriate clauses being used and are they consistent with each other. In the administration of the contract are we getting the product we bargained for and getting it on time. On this basis a procurement office is considered either acceptable or unacceptable.[2]

It must be noted that these evaluations of procurement offices by the DOT Evaluation Team are not detailed audits by any means. The average amount of time spent in any one field procurement office is three days and in that period only a sampling of the total number of procurements is possible.

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[1] W. Wayne Wilson, Chief Procurement Staff, Office of the Assistant Secretary for Administration, private interview held at Department of Transportation Headquarters, Washington, D. C., February, 1972.

[2] <u>Ibid.</u>

Recognizing that the administration of the procurement function is emphasized, as there is no attempt made to rate the quality of the procured item, the team also interviews the offices' responsible officials for a better insight into the dimensions of any procurement problems that the office may have, thus enabling the team to provide advice on potential improvements to those responsible for procurement management.[1]

Measures of Effectiveness Applicable to Coast Guard

The measures of effectiveness applicable to the Coast Guard procurement function diverge from the general approach to federal government procurement effectiveness given at the beginning of this chapter. That is, it diverges to the extent that the relationship between procurement effectiveness and organization goals is not as much emphasized as it previously was. This shift in emphasis has occurred over time and is expressed in official form: " . . . Whereas in prior years the gauge of a procurement activity's performance may have been solely its ability to produce the required goods and services in timely fashion, increased emphasis is now being placed on the means and methods utilized to achieve the end result . . . "[2]

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[1] *Ibid.*

[2] U.S., Coast Guard, *District and Headquarters Units Procurement Practices*, Commandant Notice 4280, (1970), p. 1.

The manner in which the Coast Guard determines effectiveness of its procurement function, generally, and of its procurement offices specifically, is similar to the technique utilized by its parent agency, DOT. That is, with a Coast Guard Procurement Evaluation Team.[1] The composition of the team is usually two members, the Chief, Administrative and Review Branch, and one other Headquarters procurement staff member. Procedurally, they spend about three days at each procurement activity examining the files of primarily major dollar value contracts. The size of a major dollar value contract will vary dependent upon the size of the office.

For its purposes the Coast Guard team uses the same worksheets for investigating the contract files for advertised awards, negotiated awards, and administration of both types of contracts that the DOT team uses. By utilizing these worksheets some of the more prevalent problem areas, or deficiencies, noted by both the DOT and Coast Guard Evaluation Teams were:

1) Lack of meaningful negotiations in negotiated contracts.
2) Lack of adequate documentation of contract files with particular regard to negotiation summaries, findings and determinations and sole source justifications.

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[1] Commander John O. Leatherwood, USCG, Chief, Administrative and Review Branch, Procurement Division, private interview held at Coast Guard Headquarters, Washington, D. C., February 1972.

3) Failure to utilize available legal assistance.
4) . . . deficiencies in required price and cost analysis involving negotiated contracts and modifications to advertised contracts . . .
5) Inadequate determinations and findings to support negotiated procurements.
6) Misuse of contract clauses. Inappropriate clauses or clauses no longer in effect were being used and many required clauses were being omitted.
7) Contract administration found to be generally weak--more "reaction" rather than anticipate and administer.
8) Contract files found to be cumbersome, disorderly and difficult to work with, making review awkward and unnecessarily time-consuming.
9) Contracting officer involved in logistic problems not related directly or indirectly to formal contracting, resulting in contracting effort neglect.
10) Formal training for procurement personnel below the level of the contracting officer found almost totally lacking.[1]

Generally these above-listed items, either singularly or in combination depending on their severity or extent, were the factors which led the evaluation teams to conclude whether a procurement office was performing satisfactorily or less than satisfactorily. In the normal course of the evaluation process the Coast Guard team has assessed its procurement offices six to eight months prior to the DOT team's evaluation.[2]

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[1] U.S., Coast Guard, District and Headquarters Procurement Practices, pp. 1-2.

[2] Leatherwood, private interview, February, 1972.

The historical pattern, or trend, which has developed since these two teams have been in operation is an improvement in the procurement processes and functions of a field procurement office "between the time of the Coast Guard Evaluation Team visit and the DOT Evaluation Team visit."[1]

Measures of Efficiency Applicable to Coast Guard

Within the Coast Guard there is no recognized, formalized program dealing specifically with standards for measuring the efficiency of a procurement.[2]

> A procurement is either contractually, technically, or legally sufficient or it isn't. . . . Contractually it passes the test if the proper steps were taken through the pre-award phase, if a good solicitation was written and covered the whole field of contract and legal requirements, and technical requirements. It meets the requirements of law, or technically it solicited a specific item or requirement and everyone understood what the government was buying, the contractor understood what he was to provide the government; and during the life of the contract the specifications, the statement of work, the proposals received by the government from industry were clear enough so the contract wasn't in a state of flux, with delays, amendments because of ambiguities, and in the final analysis the product received was the product required by the technical or requirements people . . . . If a contract meets the requirements, legal, technical, contractual, and a product is delivered and the company

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[1] Ibid.

[2] Lieutenant Commander Lawrence Graham, USCG, Chief, Contracts Management Branch, Procurement Division, private interview held at Coast Guard Headquarters, Washington, D.C., February 1972.

> supplying the product made a fair and reasonable profit; that is the way you judge a procurement.[1]

However this approach does not appear, nor attempt, to provide a basis for judging the two areas of purchasing, both individual and group performance.

Thus, in this regard the author has selected several efficiency measures suggested by Lee and Dobler in their text, modified them slightly and have attempted to apply them to Coast Guard procurement.[2] The objective of this analysis is to attempt to relate these efficiency measures to selected results obtained from measures which the Coast Guard, and the Department of Transportation, have utilized in evaluating effectiveness.

The following are the efficiency measurements utilized:

1) The number of procurement contracts entered into per fiscal year. The data available was for 1969, 1970 and 1971.

2) Total dollars committed per fiscal year.

3) The number of procurement personnel within the procurement office, considering only those primarily involved in contract negotiation or actual administration.

4) Procurement office operating cost, including only the salaries, pro rated, if necessary, of those numbered in (3) above.

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[1] Ibid.

[2] Lee and Dobler, Purchasing and Materials Management, pp. 578-580.

To begin this examination we look at the procurement office of the First Coast Guard District located in Boston, Massachusetts. This district is representative of the coastal districts which support a wide range of the Coast Guard's missions, including major and minor cutters.

In the fiscal year beginning July 1, 1968, the procurement office of this district entered into sixty-three contracts which committed a total value of $5,940,695. The office had as its contracting officer a civilian employee in grade 12, and two contracting assistants in grade 7.[1] The operating costs of the office considering only salaries was $38,504.

Similar data for three other offices is shown in Part I of Table 1. The Second District is an inland district with headquarters in St. Louis, Missouri. The Seventeenth District, located outside of the contiguous United States, has its offices in Juneau, Alaska. A representative Headquarters' unit is the Coast Guard Yard at Curtis Bay, Maryland.

Part II of Table 1 contains five different ratios computed using the data from Part I for each procurement office shown. The last section of the figure shows the descriptive

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[1] U.S., Department of Transportation, Coast Guard, Report of Evaluation of Procurement Function, USCG First District Office, Boston, Massachusetts, May, 1969.

	1st District	2nd District	17th District	Coast Guard Yard
I. <u>DATA</u>				
Number of Contracts	63	64	47	162
Dollars Committed	$5,940,695	$1,942,000	$2,118,112	$1,496,167
Number of Personnel	3	2	2	2
Operating Cost	$38,504	$30,500	$23,380	$28,243
II. <u>RATIOS</u>				
$\frac{\text{Dollars Committed}}{\text{No. of Contracts}}$	$94,300	$30,300	$45,000	$9,230
$\frac{\text{Dollars Committed}}{\text{No. of Personnel}}$	$1,980,231	$971,000	$1,059,056	$748,083
$\frac{\text{Dollars Committed}}{\text{Operating Cost}}$	153	63	91	53
$\frac{\text{No. of Contracts}}{\text{No. of Personnel}}$	21	32	23	81
$\frac{\text{Operating Cost}}{\text{No. of Contracts}}$	612	477	497	209
III. <u>EVALUATION</u>				
DOT Procurement Evaluation	Good	Poor	Outstanding	Poor

Table 1 - Efficiency Measures, Selected Ratios and Procurement Evaluation Rating

evaluation term applied to each of the offices by the DOT Procurement Evaluation Team.

The two offices rated the highest, the Seventeenth and First Districts, show similarities in several ratio categories. These categories are: 1) the dollar amount committed per number of contracts; 2) the dollar amount commited per operating costs; 3) the number of contracts per number of procurement personnel. Of these perhaps the most significant is the last, the number of contracts per personnel. The remaining two offices, the Second District and Coast Guard Yard, show ratios which diverge from those of the higher-rated procurement offices.

While these statistics do not provide conclusive evidence from which predictions about efficiency might be made, they show tendencies which might provide valuable information of expected purchasing performance. Specific factors include: 1) the number of procurement contracts processed and especially when considered in conjunction with, 2) the number of procurement personnel within an office. The measures which do not appear as significant in this analysis are the absolute dollar amount committed and the operating cost of the office. While these latter two factors may influence quality of performance to a degree, their relationship is not apparent here.

CHAPTER IV

EXTERNAL CONSTRAINTS AFFECTING EFFECTIVENESS AND EFFICIENCY

Unlike his industrial counterpart, the government purchaser is constrained in his job performance in many ways that an industrial buyer would consider restrictive. A governmental purchaser must be public service oriented, which requires both an efficient purchasing performance as well as the construction and maintenance of a favorable public image.[1]

The public buyer thus must comply with and work within many legal, budgetary and policy constraints which are an integral part of his job. This chapter looks at those various types of constraints that affect the manner in which Coast Guard and other governmental purchasing is performed.

Three categories of constraints will be examined. The first will be budgetary constraints. Within this category is included procurement personnel, both with regard to numbers and quality. The second category to be explored is the area

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[1] Stanley N. Sherman, Assistant Professor of Business Administration, School of Government and Business Administration, The George Washington University, lecture given to Navy Financial Management Program, April 18, 1972.

of policy constraints. The various systems of procurement regulations and agency directives as they pertain to the Coast Guard will be described. And the third category to be investigated is the legal or statutory constraints within which Coast Guard procurement operates.

Budgetary Constraints

The major factor within this category has been interpreted by the author to be people. The number of personnel available to perform procurement functions ultimately depends upon the Coast Guard budgetary level approved by the Congress.

The importance of recruiting, training and retaining sufficient, competent personnel should not be slighted. Within the Coast Guard the staffing level of procurement offices has been subjectively recognized as a major contributing factor to the degree of procurement efficiency attained.[1]

Indicative of the staffing problem, in addition to the data presented in Chapter III, is the contract administrator workload in the Procurement Division of Coast Guard Headquarters.

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[1] W. Wayne Wilson, Chief, Procurement Staff, Office of the Assistant Secretary for Administration, U.S. Department of Transportation, private interview held at Department of Transportation Headquarters, Washington, D. C., February, 1972.

On February 29, 1972, eighteen civilian employees were administering 342 contracts, for an average of nineteen per administrator. The number ranged from a low of eleven to a high of forty-two.[1]

The personnel problem extends throughout the Executive Branch and is especially critical in the Department of Defense. Within DOD training and experience of personnel have long been recognized as critical factors in procurement.

> DOD's basic problem today is the caliber of the vast majority of its procurement personnel. Most fall far short of industrial purchasing standards. Professionalism is lacking. Training and experience are in short supply.[2]

Former Secretary of Defense David Packard sought to improve military purchasing by upgrading the selection and training of both military and civilian personnel in procurement jobs. Specifically, the services of DOD were to:

1) Select better people for these jobs.
2) Train them better.
3) Keep them on special assignments long enough to be effective.

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[1] U.S. Coast Guard, Headquarters Procurement Division Memorandum, Pre-contract Planned Procurement Programs and Active Contract Listing, February 27, 1972.

[2] A. N. Wecksler and Harvey J. Berman, "DOD Battles for Professional Purchasing", *Purchasing*, II (November, 1968), p. 58.

4) Provide better incentives to interest good officers in career opportunities related to weapons procurement.[1]

The criteria for the selection of contracting officers is established, generally, within DOD. The appointing authority should consider:

1) Experience in a government procurement office, commerical procurement, or related fields.
2) Formal education or special training in business administration, law, accounting, or related fields.
3) Completion of the Defense Procurement Management Course or other procurement courses . . . .[2]

While these are general quidelines, the services within DOD have established more specific criteria such as the Air Force mandatory regulations which specify personnel grades, education, training and experience applicable to the selection of contracting officers.[3]

Within the Coast Guard no specific criteria have been promulgated concerning contracting officer selection. The general DOD guidelines are used as a reference, but the selection process is based essentially on a subjective

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[1] A. N. Wecksler, "DOD Maps Changes in Buying Personnel and Organization", Purchasing, IV (November, 1971), p. 15.

[2] U.S. Code, Vol. XXXII, sec. 1.405, (1968).

[3] U.S. Code, Vol. XXXII, sec. 1001.405, (1966).

evaluation made by the appointing authority.[1] The same is true for other procurement positions such as contract negotiator or contract administrator.[2]

Training of procurement personnel, including contracting officers, negotiators, administrators, and cost and price analysts, is accomplished through the combination of an in-house Coast Guard training program with procurement management courses sponsored by other government agencies.[3] The in-house procurement training program is based, in large part, on the DOD Procurement Training Handbook, modified for Coast Guard usage.[4] The effectiveness of this program is a function of the office's staffing level in that the workload and availability of personnel determines the extent of their participation.

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[1] Commander Charles E. Jurgens, USCG, Chief, Procurement Division, private interview held at Coast Guard Headquarters, Washington, D. C., April, 1972.

[2] Ibid.

[3] U.S. Coast Guard, Department of Transportation, Utilization of External Sources for Training of Personnel, Contract Management Branch Instruction 10-71, (1970), p. 1.

[4] U.S., Coast Guard, Department of Transportation, Procurement Training Program, Contract Management Branch Memorandum 12410, (December 30, 1970), p. 1.

Policy Constraints

The setting of policy which affects Coast Guard procurement is done at several levels of organizational hierarchy and in various agencies. This policy is embodied, primarily, in the form of procurement regulations. As the Commission on Government Procurement describes them:

> In a broad sense, regulations are the bridge between Congressional enactment and an agency's ability to carry out its mission. The contracting authority of a procurement agency is limited to that expressly or impliedly given to it. Similarly, the authority of a contracting officer, as agent of the agency, is limited to the powers expressly or impliedly delegated to him and his actions are valid only if they are within his authority. The regulations give voice to Congressional intent, interpreting both express and implied authorities, assigning responsibility, placing limitations on authority, etc. In a more restrictive sense, procurement regulations are a management tool to facilitate the timely acquisition of supplies and services. To serve management well, they must be usable by operating level personnel. If they are not understandable, too restrictive, etc., they become a straightjacket.[1]

Two major bodies of regulations, the Armed Services Procurement Regulations (ASPR) and the Federal Procurement Regulations (FPR), have grown over the last two decades. Their use by the Coast Guard was described in Chapter II. Additionally, the Department of Transportation Procurement Regulations (DOTPR)

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[1] U.S., Congress, Commission on Government Procurement, _Profile_, n.d., p. 3.

and Coast Guard Procurement Regulations (CGPR) have been promulgated to supplement and implement the ASPR and FPR. Consequently, there has been a proliferation of regulations which can be critically described as overlapping, inconsistent, too detailed and difficult to apply. But the maze of official policy guidance does not end there. DOT departmental orders, notices or directives may also have an impact on Coast Guard procurement if implemented by an in-house Coast Guard directive.[1] And, finally, the service's own directives system describes policy in those areas not covered by the above-named references and deemed significant for effective contracting.

Legal Constraints

The Armed Services Procurement Act of 1947, the basic military procurement law, accomplished two objectives. It established procurement policies for implementation during periods of national emergency. Secondly, it established that advertised contracts were the preferred type of procurement in peacetime, but it also recognized negotiated procurement as a legitimate method of purchase.

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[1] U.S., Coast Guard, Department of Transportation, Distribution of DOT Directives, Commandant Instruction 5215.4 (August 15, 1969), p. 1.

The combination of requirements of law and regulations for those two types of procurements determines an important factor in the purchasing cycle, that is, lead time. Coast Guard Headquarters lead time requirements for negotiated and advertised awards have, through experience, been firmly determined. For negotiated competitive contracts over one hundred thousand dollars, the time between publicizing the general requirements in the Commerce Business Daily until the contract is awarded is 27 weeks. For formally advertised awards the elapsed time from finalizing specifications to DOT clearance varies between 11 and 17 weeks depending on the complexity of the procurement.

A second source of law applicable to Coast Guard procurement is the Federal Property and Administrative Services Act of 1949, as amended. This law, in part, was a mandate by the Congress and the President for uniformity of federal government procurement policies and procedures.[1] The desire for uniformity has, in large degree, been achieved by this and other laws as well as by regulation.

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[1] Federal Property and Procedures Act, U.S. Code, Vol. XLI, secs. 251-260.

CHAPTER V

CASE HISTORIES ILLUSTRATING EFFECTIVENESS

An Overview

Up to this point we have been concerned with the various factors which have, when taken together, determined if a procurement was good or poor. In this chapter through the technique of case analysis the effect of the integration of all those factors will be illustrated. The vehicles for this analysis will be two actual procurements made at Coast Guard Headquarters. The first is a negotiated competitive contract for a research and development procurement. The second will describe the procedures for a routine formally advertised contract.

Negotiated Competitive Contract

This procurement was officially initiated on September 18, 1970, when the Applied Technology Division of Coast Guard Headquarters submitted a request for bid to the Procurement Division. The procurement was to be for:

> An eighteen-month concept development and prototype construction program to fully develop the most promising concepts for high seas oil recovery and oil/water separator devices. Program to be implemented in two

> stages: Stage I - concept development competition; and Stage II - prototype detail design, construction, and testing.[1]

Funds obligated for both phases of this project amounted to $1.2 million. In order to reach prospective contractors for this Research and Development (R & D) procurement it was synopsized by the Headquarters Contract Management Branch and publicized in the Commerce Business daily about one month later.[2] Additional potential contractors were notified by utilizing a "bidders list" developed from a pre-solicitation notice for a related contract.

As with most R & D procurements, this work could not be described in precise detail either by drawings or specifications. Only the ultimate objectives and scope of the work could be described in general terms. Consequently, it was required that the Commandant of the Coast Guard grant authority to negotiate an individual contract without formal advertising. This authority was expressed in a Determination and Findings record.[3]

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[1] U.S., Coast Guard, Department of Transportation, Request for Bid or Quotation, Applied Technology Division form, September 18, 1970.

[2] U.S., Coast Guard, Department of Transportation, Synopsis Number 135, Letter from Contract Management Branch, November 19, 1970.

[3] U.S., Coast Guard, Department of Transportation, Determination and Findings: Authority to Negotiate an Individual Contract, Commandant letter, December 3, 1970.

A Request for Proposal was jointly developed by a Contracting Officer from the Procurement Division and the project officer from the requesting division and mailed to prospective bidders on November 30, 1970.[1] The proposal suggested that two or more cost plus fixed fee (CPFF) contracts would be negotiated as a result of the solicitation. This was due to the belief that awards might be made for either development of the total system or of several subsystems. Thus Stage I of the procurement might involve several awards, while the Stage II award for the detailed design, construction, testing, and evaluation of a full scale prototype oil recovery system would be made based on evaluation of Stage I proposals. Milestone dates for the award of Stages I and II were March 22, 1971, and December 1971, respectively.

There were several legal constraints contained in the RFP, including reference to the Buy American Act and Notice of Requirements for Certification of Nonsegregated Facilities.[2] While these two references were required, by law, to be part of this RFP, they did not materially affect the Contracting Officer's handling of the procurement.

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[1] U.S., Coast Guard, Department of Transportation, Request for Proposal (CG-11), 542-A.

[2] Ibid., p. iv.

Two amendments were made to the RFP within five weeks of its issuance. The changes primarily reflected questions posed by prospective bidders about the technical development of the system.

Of the 196 RFP's solicited, there were 34 received by the January 20, 1971, due date. The technical portions of the proposals were sent to the requesting division, the Applied Technology Division, for evaluation by a formally designated board, against the requirements and criteria specified in the RFP.[1] The other portion of the RFP, the business mangement proposal, was evaluated independently by the Contracting Officer.

The technical evaluation board of six members made the determination of whether the proposals were responsive to the RFP. If they were not responsive, they were not considered further, but returned to the offeror with the reasons therefor. Those that were responsive were then subjected to a detailed technical analysis. The result of this analysis was a rank ordering of the proposals according to the technical merit rating assessed during the evaluation.

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[1] U.S., Coast Guard, Evaluation of Proposals in Response to RFP CG-11, 542-A, Procurement Division letter, January 21, 1971.

The proposals were categorized as follows:[1]

1) Technically acceptable: 3
2) Technically unacceptable: 24
3) Non-responsive for technical evaluation: 7

On the basis of the technical evaluation board's analysis, the Applied Technology Division recommended that the Contracting Officer enter negotiations with the three top offerors who were Ocean Systems, Inc., Martin Marietta Corp., and Lockheed Missiles and Space Company. It was also requested that face-to-face technical discussions be arranged with three firms to permit clarification of their proposals.[2]

Subsequently, a cost and price analyst examined the business proposals for the three firms considered technically acceptable. Preliminary cost analyses were prepared for each firm and made available to the Contracting Officer. Additionally, audit reports for each company had been requested from the Defense Contract Audit Agency and the results of these audits were held with each firm in early April and resulted in some technical and cost proposal revisions. The resultant total cost

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[1] U.S., Coast Guard, High Seas Oil Recovery Systems Proposals, Evaluation Board Memorandum DAT 714103/007, March 15, 1971.

[2] U.S., Coast Guard, High Seas Oil Recovery System, Applied Technology Division Memorandum, March 19, 1971.

proposals were:[1]

1) Ocean Systems - $298,074
2) Martin-Marietta - $269,165
3) Lockheed - $296,360

A special board composed of the oil recovery project officer, the chairman of the technical evaluation board, and the Contracting Officer and contracts negotiator met on April 16, 1972, and merged the results of the technical evaluation and the business management evaluation of the proposals. Again, the finding of this meeting was that all three firms had proposals that were both technically and financially acceptable. Thus, it was recommended to the Contracting Officer that, "negotiations be entered . . . with the intent to award a contract to each for the competitive development of the proposed high seas recovery systems."[2]

Commencing at about this time, the firms considered either technically unacceptable or non-responsive to the RFP were advised, by letter, of their elimination from further competition. Once again cooperation between the procurement and technical offices was apparent as a team effort was

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[1] U.S., Coast Guard, High Seas Oil Recovery Systems Development Competition, Technical Evaluation Board Memorandum, April 21, 1971.

[2] U.S., Coast Guard, High Seas Oil Recovery Systems Development, Applied Technology Division Memorandum, April 22, 1971.

employed in completing this extensive administrative requirement.

The final technical negotiations for Phase I, the competitive development phase, was held with the three firms the last week in April. Present at these negotiations, held individually, were representatives of the firms, including the project manager, the design engineer and the contract administrator. For the Coast Guard the team consisted of the Chief, Pollution Control Branch of the Applied Technology Division; the project officer; contract negotiator; and, in the case of Martin-Marietta, a cost analyst. In each case agreement was reached on the objectives, method of approach and interrelationships of all tasks.[1] As a result of these negotiations it was decided to award contracts to each of the firms for system concept development.

Before awards could be made, several clearance requirements had to be completed. In compliance with the Equal Employment Opportunity Executive Order, the Coast Guard's Office of Civil Rights was notified of the proposed contracts and provided the required Equal Opportunity Compliance clearance

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[1] U.S., Coast Guard, High Seas Oil Recovery Systems: Final Technical Negotiations, Project Officer Memorandum, May 7, 1971.

for the contract awards. Another Determination and Findings had to be completed for authority to use a Cost Plus Fixed Fee Contract. This document was executed by the Contracting Officer. Additionally, a pre-award survey was made to determine the contractors' responsibility. This was made on the strength of previous contracts with the same firms and on the financial data submitted in the business management section of their proposals.

Proposed contracts were drawn and submitted to a Contract Review Board for comment. Most of the Board's action was concerned with the legal requirements for the financial factors of the contract and with making the procurement process clear to any potential auditor.

At this point the smooth procurement file, with contracts, was submitted to a Contract Awards Board. This three member board was comprised of the Procurement Division Chief, a staff member of the Procurement Law Division, and the Chief of the Applied Technology Division. After assuring that all regulatory and statutory authority and clearances were met, including Congressional notification, and that the contracts met the legal sufficiency test, the Board approved the awards.

On July 5, 1971, the Commandant announced the award of the three contracts totalling $637,632. In the Coast Guard's

press release, the procurement was described as follows:

> According to the terms of the contracts, each of the three companies will develop its version of the recovery system and submit a detailed report to Coast Guard research and development officials by January 1972. The Coast Guard will then evaluate the three systems, select the one with the "greatest probability of success", and award contracts for Phase II of the project--construction of the full-sized prototype unit.
>
> The system being developed by Lockheed is based on a rotating drum principle. Spilled oil will be lifted off the surface by vane-connected discs that are rotated through the oil. The oil attaches to the discs and is later removed by a wiper.
>
> Martin-Marietta is working on a system that will use an endless belt that attracts and holds oil while letting water flow through it. The collected oil is then squeezed out of the belt and pumped into collection tanks.
>
> The Ocean Systems plan calls for the use of a membrane operating device which is designed to float on top of the water but under the oil. This will allow the pollutant to flow to the back end of the crescent-shaped apparatus where it can be pumped into barges.[1]

The total elapsed time from initial publication of the procurement's general requirements until the award of the three contracts was approximately 29 weeks. Although the contract awards were made more than three months beyond the RFP milestone date it was only two weeks longer than the standard

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[1] U.S., Coast Guard, <u>Press Release Concerning Contracts Phase I System Development Competition for Oil Recovery System</u>, Public Information Division, July 5, 1971.

time frame for a negotiated competitive contract. Additionally, the first of the three contracts to be awarded to OSI was made on June 1, 1971, a full month earlier than the final award date.

This description has covered the procedures in the procurement schedule with which the Contracting Officer is primarily concerned. Much of what follows the award of the contract is the primary responsibility of other members of the procurement team, particularly the contract administrator. For the purposes of this analysis a further examination into the administration of the contract will not be made. Rather, the procurement processes for a formally advertised contract will be studied.

Formally Advertised Contract

The procurement to be described in this section was for a plastic battery box used to house batteries on fixed aids to navigation. One type of battery box had been a standard Coast Guard item and was maintained in inventory during 1970 at the Coast Guard Supply Center, Brooklyn, New York. Over time, however, information provided by the using districts indicated several deficiencies existed and a decision was made to modify the battery mold.[1]

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[1] U.S., Coast Guard, Plastic Battery Boxes, Supply Logistics Division Memorandum, July 22, 1970.

The modification was undertaken by the Ocean Engineering Division (EOE) at Coast Guard Headquarters. EOE developed a purchase description and drawings of the modified box and, along with a bidders list, submitted them to Headquarters' Supply Logistics Division (FSL) in late January 1971. This administrative sequence was due to FSL's de facto control over field supply and logistics, including Brooklyn Supply Center.

On February 10, 1971, FSL sent a Request for Bid to the Procurement Division (FSP) for 4,000 plastic battery boxes to be fabricated in accordance with the enclosed purchase description and drawing. Additionally, the material and fabrication process were described, the former according to federal specification and standard, and the latter by a specific manufacturing process using cast aluminum dies to be furnished by the Coast Guard.[1]

The Procurement Division, aided by Supply and Logistics and Ocean Engineering divisions, prepared the Invitation for Bids (IFB) which was reviewed and approved by the Procurement Law Division. In the IFB in addition to the specifications of the boxes the contractor was to provide three preproduction

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[1] U.S., Coast Guard, <u>Request for Bid or Quotation</u>, Supply and Logistics Division Form, February 10, 1971.

samples within 45 days after he received the dies from Brooklyn Supply Center. These samples were to be inspected by a Coast Guard representative at the contractor's plant to determine if they met the quality assurance provisions of the purchase description. The delivery schedule was also described with 1,000 and 3,000 production boxes to be delivered 30 to 120 days, respectively, after Coast Guard approval of the preproduction samples.[1]

As part of the IFP, two enclosures described the "General Provisions" and "Additional General Provisions" normally included in supply-type contracts. The General Provisions, a General Services Administration standard form, covers such items as contract changes, inspection, payments and defaults. The Additional General Provisions, a Coast Guard document, discusses, among other items, guaranty, patent indemnity, royalty information, delivery terms, and taxes.

The procurement was published in the <u>Commerce Business Daily</u> and the IFB was mailed to potential bidders on April 12, 1970. Of the 34 invitations mailed, a total of seven bidders responded.

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[1] U.S., Coast Guard, <u>Solicitation, Offer and Award: DOT-CG-13246-A</u>, Procurement Division Document, April 12, 1971.

The bids were opened on May 11, 1970. They ranged from a high of almost $250,000 to a low and winning bid of $68,020 by Thermodyne International Ltd., of Hawthorne, California. The firm was responsible based on the Coast Guard's prior contracting experience with them.[1]

In accordance with the terms of the contract, Thermodyne supplied three preproduction samples of the boxes on August 10, 1971, to be inspected by a Coast Guard inspector from the Ocean Engineering Division. The inspection revealed that the workmanship of the sample boxes was of an acceptable quality level.[2] Thermodyne was notified by the Contracting Officer of his approval and production of the boxes commenced.[3]

Samples of subsequent production runs were inspected by a Defense Contract Services Administration inspector as requested by the Contracting Officer.[4] In every case the boxes

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[1] U.S., Coast Guard, <u>Award of Coast Guard Contract DOT-CG-13246-A</u>, Contracting Officer Letter, June 17, 1971.

[2] U.S., Coast Guard, <u>Field Trip Report</u>, Inspection Memorandum, August 10, 1971.

[3] U.S., Coast Guard, <u>Contract DOT-CG-13246-A</u>, Contracting Officer Letter, August 12, 1971.

[4] U.S., Coast Guard, <u>Inspection of Coast Guard Contract DOT-CG-13246-A</u>, Contracting Officer Letter, August 5, 1971.

inspected met with the contract specifications and were within the allowable tolerances. By November 17, 1971, the Brooklyn Supply Center had received 4,000 complete boxes and within a month the aluminum dies were shipped by the contractor. The boxes subsequently were considered as standard aids to navigation items and the Supply Center at Brooklyn assumed the responsibility for reorder control.

The procurement schedule for this advertised award lasted nine weeks from the receipt in the Procurement Division of the specifications until the contract award. This action was two weeks shorter than the standard time frame developed by Headquarters. Subsequent actions of production, inspection, and delivery were conducted in an expeditious and effective manner.

CHAPTER VI

SUMMARY AND CONCLUSIONS

This paper has been a study of the procurement function in the United States Coast Guard. Its development has been based on four subsidiary questions; a summary of the findings for each will follow.

What is the Historical Development and Objective of Coast Guard Procurement?

Procurement within the Coast Guard is seen evolving from the service's inception, in 1790, to the present. Most significant in this regard was its growth and development from a limited function, concerned primarily with supply and logistics, to its present broad spectrum of activities including ship construction and research and development procurement. The Coast Guard's objective throughout has been the classic approach--to buy materials and services of the right quality, in the right quantity, at the right price, from the right source, and at the right time. What has changed over time is both the types of materials and services bought and the manner of buying them.

What Measures of Effectiveness and Efficiency Are Applicable to Coast Guard Procurement?

The technique identified with the measurement of procurement effectiveness was seen to be an evaluation team approach by which a procurement activity's level of performance was judged. However, this technique is primarily a policy validation procedure with a subordinate role for judging either individual or group performance.

Within the Coast Guard efficiency measures have not, on a servicewide basis, been identified nor utilized in an attempt to manage the buying process. By sampling some statistical data for several procurement activities, the author attempted to identify those factors which were most critically related to efficiency, namely, the numbers of contracts and personnel.

While this analysis did not provide conclusive evidence from which specific predictions of efficiency might be made, it did to a limited degree show definite tendencies which might provide information about expected purchasing performance.

What External Constraints on Coast Guard Procurement Affect Its Effectiveness and Efficiency?

Three categories of constraints were seen to have a significant effect upon procurement's effectiveness and

efficiency. These constraint categories were budgetary, policy, and statutory. The first category was described as being basically a personnel consideration, both as regards to quantity and quality. The budgetary limitation was seen as a determinant of procurement office staffing levels and, to a degree, personnel competency. Subjectively, Coast Guard procurement officials felt that this budgetary constraint was the most significant factor affecting the procurement processes.

The second category was concerned with the policy area. Policy affecting Coast Guard procurement takes the form of regulations and directives among which are the ASPR, FPR, DOT and Coast Guard directives. Some are too restrictive; some are inadequate, contradictory or confusing. But, in general, they serve the purpose for which they were intended. Improvement in this area is one of the goals of the Commission on Government Procurement, which is now attempting to develop uniformity within the federal government regulatory structure.

The third category of constraint described was that imposed by law. The primary source is, of course, the Armed Services Procurement Act of 1947. However, the growth of the federal government's influence as a buyer has brought a deluge of laws relating to procurement which, while designed to protect the government's interests, frequently place a restrictive

burden on the government purchaser.

What Case Histories are Illustrative of Coast Guard Procurement Effectiveness?

In an attempt to illustrate how all of the constraint requirements are met in practice and how they affect Coast Guard pruchasing, two case histories of procurements at Coast Guard Headquarters are described. The first was a negotiated competitive contract for a high seas oil recovery system, a research and development project. The second was concerned with a formally advertised contract for battery housings, a supply type item. In both procurements the need for competent personnel, both in purchasing and in the technical offices, was seen. Furthermore, the existence and growth of a team effort between these offices was considered necessary and a significant factor in accomplishing a successful procurement. With this information what can be said about the primary research question?

In Relation to Its Assigned Mission, How Effective is Procurement in the U.S. Coast Guard?

The author recognizes that the data accumulated does not permit a precise answer to be made. However, while the procurement function supports Coast Guard activities in all areas of the world, and does it successfully, the degree of

effectiveness and efficiency attained is not readily apparent. Certainly there are improvements to be made and this is widely recognized throughout all levels of the Coast Guard organization. Opportunities exist for bettering the procurement system in organization and procedures. Additionally, there must be a growth in the professionalism of the personnel--both military and civilian--who are primarily involved in procurement activites. The genuine concern for the future is shared throughout the Coast Guard and will constitute, in the author's view, a primary force in reaching the goal of better buying.

APPENDIX I

Pages 84 through 93 are copies of the Contract Review Worksheets used by the Department of Transportation Procurement Evaluation Team in evaluating the contract administration capabilities of the Procurement Offices.

CONTRACT REVIEW WORKSHEET - ADMINISTRATION

SUMMARY

Contract No.________________________

Contractor____

Descript Item/service____

____

Type of contract____________________

Amount of contract as awarded________________________

Current contract amount______________________________

Contractually specified completion date______________________________

Overall opinion of contract administration______________________________________

File reviewed by____

Contract No.__________________________

1. Was a post award conference held with contractor?________________________

2. Was letter issued by C.O. designating a COR?_____________________

   was contractor furnished a copy of the letter?__________________

   did the letter clearly specify limitations on COR authority?_______________

3. Were progress reports submitted by contractor?__________________were they reviewed and acted upon promptly?_________________have they been retained in the official contract file?___________________

4. Is delivery or completion expected to be in accordance with the contract requirements?______________have followup procedures been taken to insure timely delivery or completion?___________________

5. Was the contract modified?_________________how many times?_________________

   was the work specified in the modification started prior to issuance of the modification?_____________

   if the modification involves new procurement, were appropriate D&F's, etc., prepared and signed?_______________________

   was a cost/price analysis made?_____________________

   were price changes negotiated effectively?______________timely?____________

   if specification was relaxed, did we receive consideration commensurate with specification relaxation?____________________

Contract No.______________________

should a separate contract have been made in lieu of any modification?____

6. Were independent progress reports submitted by COR?________________

7. Are receiving and inspection reports on file?_________________

8. Was GFP provided the contractor?_____________

if so, was it specified in the IFB/RFP?_______________

have we exercised control over this property?________________

was GFP properly disposed of upon contract completion?_______________

9. Were any claims made by contractor for price increases?____________

if so, how many?_____________

were such claims settled by the contracting officer?_____________

were any claims appealed?__________________

10. Was contract terminated before completion?_______________

if terminated, was it for convenience or default?_____________

if terminated for convenience, was it sdttled promptly?______________

11. Did C.O. retain control of contract, vis a vis technical, during its life?____

12. Any evidence of enforcement of patent clause?_________EEO clause?_________

wage provisions?___________

13. Is file reasonably complete and well documented?_______________________

CONTRACT REVIEW WORKSHEET - ADVERTISED AWARD

SUMMARY

Contract No. ______________________________

Contractor____

Descript. Item/service____

____

Date contract awarded________________________________

Small business set-aside?_________________________

Amount of contract________________________________

Overall opinion of the procurement____

File reviewed by_____________________________________

Contract No.______________________

1. Date Procurement Request received_____________________

P.R. complete in essential respects?__________________

2. Comment on IFB - date IFB issued______________________

description of work clear?_________________________

time for dely/performance appear adequate?__________________

point of acceptance specified?____________________________

currently required clauses used?___________________________

currently prescribed forms used?___________________________

brand name specified?__________brand name justification in file?_________

bidding time adequate?___________how many days?_________________

descriptive literature required?_____________use of descriptive literature justified?____________does IFB state descriptive literature requirements properly?_____________

if set-aside, was small business size criteria in the IFB?____________

if more than one item in schedule, does IFB state how bids will be evaluated for award?____________________

3. IFB synopsized?______________________

Contract No.____________

4. IFB amended or cancelled?________why?____________________

5. Bid abstract on file?________how many bids received?____________

6. Late bids received?________disposition?____________________

7. Any mistakes in bids?________or rejection of bids?____________

disposition?________________________________

8. Any written determination of contractor responsibility?____________

9. Evidence of price analysis?________or other efforts to establish that

low bid is reasonable?____________

10. Award made to low bidder?________if not, why not?____________

11. Is contract awarded the same as that advertised?____________

12. Award synopsized?____________

13. Any legal review of IFB?____________of award?____________

14. If construction

bid bond or other security submitted with bid?____________

payment/performance bonds furnished?____________

Government estimate of cost made?____________

did IFB indicate estimated price range?____________

liquidated damages?________________

award include applicable wage determinations?________________

15. XX. File reasonably complete and well documented?________________

16. If Walsh-Healey applies, was SF-99 filed?________________

17. Was SF 1036 prepared and filed with GAO copy of contract?

____

CONTRACT REVIEW WORKSHEET - NEGOTIATED AWARD

SUMMARY

Contract No.________________________

Contractor:____

Descript. Item/service____

____

Date contract awarded__________________________

Competitive?____________Non-competitive?_____________Set-aside?__________8(a)?________

Type of contract awarded______________________

Amount of contract____________________________

Overall opinion of the procurement____

File reviewed by____

Contract No.____________________

1. Date Procurement Request received____________________

   P.R. complete in essential respects?__________________

2. Comment on RFP - date RFP issued____________________

   description of work clear?______________________

   time for dely/performance appear adequate?____________________

   point of acceptance specified?__________________

   type of contract contemplated (circle) FFP FFP w/esc FPI Redetermin. Cost Cost share CPIF CPFF Other

   solicitation period adequate?___________How many days?____________

3. Negotiation authority?_________D&F signed prior to solicitation?_______

   D&F adequate?_____________Sole source justification adequate?_________

4. Did RFP indicate factors on which proposals would be evaluated?_________

5. RFP synopsized?_____________

6. Approx how many firms solicited?________How many proposals received?_______

   "Abstract" of proposals in file?___________

7. Cost/pricing data requested?______________furnished?____________

   advisory audit services used?_____________

8. Late proposals received?____________disposition?____________________

Contract No.____________________

9. Were technical rating procedures established for the procurement?____________

when?_________________was the technical evaluation adequately documented?___

10. How many firms were found to be in a competitive range?_____________________

with how many firms were negotiations conducted?________________

11. Were negotiations effective?______________is documentation adequate?________

12. Any written determination of contractor responsibility?_______________

13. Certificate of current cost/pricing data obtained?____________________

14. Was award made to the low offeror determined technically acceptable?_________

15. Any legal review of RFP?______________of contract?________________

16. Was award publicized?________________

17. Miscellaneous

    were currently required clauses used?___________

    were required forms used?______________________

    was value engineering incentive clause included?____________________

    any evidence of pre-award EEO considerations?_______________________

    if cost-type contract awarded, is appropriate D&F in file?___________

    were unsuccessful offerors so advised on a timely basis?_____________

18. Is file reasonably complete and well documented?_______________________

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